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SUBJECT: NEW DANISH ENERGY POLICY BOOSTS RENEWABLES

¶1. (SBU) Summary: After more than a year of political negotiations, Denmark's government has reached agreement within parliament to meet the EU's energy targets and boost its renewable energy share to 30 percent by 2020, from the current level of 16 percent. The new policy formalizes Denmark's commitment and is one of several initiatives to show leadership on climate change issues in the run-up to hosting the UN climate summit (COP-15) in Copenhagen in December 2009. Prime Minister Rasmussen's recent climate-focused trip to India was another. End Summary.

¶2. (U) On February 21, the Danish government reached agreement with seven political parties in Parliament (all except the minor Unity List party) regarding energy policy. The settlement mainly covers the period corresponding to the Fogh Rasmussen government's tenure through 2011; some initiatives have a longer horizon.

¶3. (U) The policy's stated objective is to reduce Denmark's dependency on fossil fuels (currently at 83 percent of total gross energy consumption) for environmental and energy security reasons, with an ultimate goal of independence from fossil fuels in the long term. The policy incorporates measures addressing renewable energy, energy savings and efficiency; and transportation.

Renewable Energy Boosted

¶3. (U) In addition to stating that it will meet the target agreed by the EU (most likely 30 percent renewable energy by 2020 for Denmark), the Danish policy targets an interim increase to 20 percent by 2011. To do so, Denmark will increase its subsidies for wind power production and mandate compensation by wind turbine owners to property owners whose property values decline due to installation of new wind turbines. Two new 200 MW offshore wind parks are planned to open off the Danish coast in 2012.

¶4. (U) Besides wind, Denmark has focused on increasing the use of biomass in power plants, mainly by increasing subsidies for electricity generated from biomass. Funds to implement other renewable energy sources, such as solar and wave technologies, will also be increased, by approximately \$5 million annually. Finally, all renewable energy legislation will be merged into a single comprehensive framework.

New Energy Efficiency Goals

¶5. (U) The new policy extends current efforts to increase the

energy efficiency, mandating a reduction of gross energy consumption by 2 percent by 2011 (from a base year of 2006) and by 4 percent in 2020. Energy efficiency requirements for newly constructed buildings will be tightened gradually through 2020. Denmark will also establish a new energy savings information center and increase government funding for research, development and demonstration of more efficient energy technologies. Danish CO2-taxes will be increased and a new NOx-tax will be imposed starting in 2010.

Transportation

16. (U) The transport sector currently generates 31 percent of Denmark's CO2 emissions, but is not included in the EU emissions cap and trade system. The new policy mandates an increase in renewable energy fuels for transport to 5.75 percent (from close to zero today) by 2010 and 10 percent by 2020. The new fuels are not specified, but must be "adequately socio-economically competitive and environmentally sustainable." Hydrogen-powered cars will be exempt from taxes and the sunset date for the current tax exemption for electric cars will be extended by three years to 2012. In the fall of 2008, the Minister for Transport Carina Christensen is charged to present a more detailed strategy outlining how to reduce CO2 emissions in the transport sector.

Industry Reacts Cautiously

17. (U) The Confederation of Danish Industries (DI) welcomed the political agreement, while expressing concern over implementation. Helle Juhler, DI's special advisor on energy and climate matters, declared "the current scheme, in which many of the costs are put on the businesses, is not sustainable in the long run. It will be a

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big challenge to come up with a model that can finance the 2020 energy and climate targets." Lars Aagaard, Deputy Director of the Danish Energy Association (representing the power company interests), said "the agreement reached has much to recommend it, as it eliminates large parts of the gap between Danish and European energy and climate policies. This agreement means that far more will need to be saved on energy, and that the energy companies will be at the heart of this effort. We are ready to negotiate the implementation with the government."

Spreading the Energy Gospel

18. (U) Energy and climate issues are very high on the political agenda in Denmark, with Denmark preparing to host the COP-15 climate summit in December 2009. Eager to position Denmark for success at the summit, Prime Minister Anders Fogh Rasmussen and Minister for Climate and Energy Connie Hedegaard are stepping up Denmark's climate diplomacy efforts abroad, spreading the Danish gospel that economic growth can be decoupled from energy consumption. They cite statistics demonstrating impressive economic growth, with hardly any increase in energy consumption.

19. (U) Minister Hedegaard actively promoted Denmark's role as host of COP-15 while in Washington on March 4-6 for the WIREC conference. Hedegaard spoke at the Joint Ministerial-Stakeholder plenary "Straight Talk" Session and hosted an official Danish side event about renewable energy technology deployment. The Danish Minister also conducted bilateral meetings with U/S Dobriansky, CEQ Chair Connaughton and NSA Price, Senator Boxer and DOE A/S Karsner.

110. (U) Shortly after assuming her post in November 2007, Hedegaard declared that Denmark's role as the host of the COP-15 at the Bali meetings will be to push governments to commit to an agreement in Copenhagen, but also to seek broad agreements and to join forces and interests. The minister's main priority is to get the U.S. on board as an active participant, she said, expressing optimism that China might be willing to move ahead faster than expected and "show big surprises," and said Denmark also intended to closely with India, Mexico, Brazil and Argentina. To bolster Denmark's presence overseas, Hedegaard has announced plans to appoint Danish climate

attaches in five key countries, most likely including in the U.S., China and India.

But Treading Lightly with India

¶11. (U) During a February visit to the Delhi Sustainable Development Summit, PM Rasmussen stressed the importance of recognizing the need for including developing countries in a new global climate agreement to be penned in Copenhagen in December 2009. Rasmussen publicly recognized that developing economies like India's might contribute under an international agreement by concentrating on making efficiency gains in lieu of capping their energy consumption. Indian PM Singh reportedly pledged that India's per capita greenhouse gas emissions would never exceed Denmark's.

Comment

¶12. (SBU) The government's efforts to burnish its green credentials abroad are popular at home, but have not been cost-free. The opposition has accused Rasmussen of overselling his government's responsibility for Denmark's long term progress, begun under the previous government. They charge that under the Rasmussen government Danish CO2 emissions and energy consumption have begun to rise, and new wind power deployment has been largely frozen.

¶18. (SBU) Perhaps to answer this criticism, the government recently established an advisory climate commission composed of prominent energy and climate experts and economists. The commission, headed by Amcit Katharine Richardson of Aarhus University, is charged with suggesting further ways to eliminate Denmark's dependency on oil and coal in line with the government's long term targets. We will engage with Richardson and continue to follow Denmark's preparations to host COP-15 closely.

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